

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7067

BILL NUMBER: HB 1417

NOTE PREPARED: Feb 17, 2011

BILL AMENDED: Feb 17, 2011

SUBJECT: Flexibility in use of school funds.

FIRST AUTHOR: Rep. McNamara

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *CPF Utilities & Insurance*: This bill provides that the school capital projects fund may be used for utilities and insurance in calendar year 2011, 2012, and 2013. It specifies that 3.5% of the school corporation's 2005 distribution is the maximum amount that may be paid from the capital project fund in a calendar year for utilities and insurance expenditures.

Fund Transfer: The bill allows the governing body of a school corporation to adopt a resolution to transfer money among the funds held by the school corporation in the 2011-2012 school year.

Effective Date: July 1, 2011.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *CPF Utilities & Insurance*: The maximum amount that of CPF funding that can be used for paying the costs of insurance and utilities is about \$204.5 M each year. Currently this provision is only valid through CY 2011. In CY 2009 school expenditures from CPF for utilities and property insurance was about \$185.7 M. This bill would allow schools to use 3.5% of these funds for CY 2012 and 2013 for insurance and utilities costs.

School Funds Transfer: The bill allows schools to transfer an amount ranging up to 5% or 10% of their Capital Projects Fund maximum property tax levy (excluding the levy allowed for utilities and property insurance) amongst funds in the school corporation for school year 2001-2012 only. Transfers may not be

made from a debt service fund or a racial balance fund. To qualify for a transfer more than 5% and up to 10%, the school employees cannot receive a general salary increase for the 2011-2012 school year. Schools could still provide increment increases up to 2% to teachers and increases due to changes in job duties or completion of licensing requirements. The impact would depend on whether a school chooses to make the transfer between funds and the amount of money available for transfer in the various funds. For CY 2011, between \$30.6 M - \$61.2 M would be available for transfer between funds depending if schools choose to give a general salary increase or not.

Schools are required to report to the Department of Education within three months after the end of the year. The information is to include:

1. The purpose of the transfer.
2. The funds involved in the transfer.
3. The amount transferred between the funds.
4. The impact of the transfer to the programs that were supported by the fund from which the transfer is made.

Explanation of Local Revenues:

State Agencies Affected: Department of Education.

Local Agencies Affected: Local Schools.

Information Sources: Department of Education Databases.

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